

## Message Text

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PAGE 01 BUCAR 02498 070941Z

11

ACTION CEA-01

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 /080 W

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R 070742Z JUN 75

FM AMEMBASSY BUCHAREST

TO SECSTATE WASHDC 3014

INFO AMEMBASSY MOSCOW

C O N F I D E N T I A L BUCHAREST 2498

E.O. 11652: GDS

TAGS: EFIN XH RO

SUBJ: PRICE INCREASES IN INTRA-CEMA TRADE

REFS: A. C-ER-5-59079; B. STATE 130219

1. AMBASSADOR'S UNEXPECTED CALL ON GHEORGHE RADULESCU, DEPUTY PRIME MIN AND HEAD OF ROMANIAN SECTION OF SOVIET-ROMANIAN JOINT COMMISSION, (AND FORMER GOR REPRESENTATIVE FOR CEMA) CMYNCIDED WITH RECEIPT OF REFTEL AND OFFERED OPPORTUNITY TO CONFIRM IMPRESSIONS GAINED FROM SOVIET EMBASSY SOURCE (BUCHAREST 1885 AND 1572). RADULESCU'S COMMENTS WRE NATURALLY ADDRESSED TO BROAD ISSUES NOT TO SPECIFICS SOUGHT IN REFTEL.

2. REFERRING TO IMPOSITION OF PRICE INCREASES RADULESCU EXPLICITLY MENTIONED JANUARY 1 DATE. FROM CONTEXT IT WAS NOT EVIDENT, HOWEVER, WHETHER BILATERAL AGREEMENT WOULD MAKE INCREASES RETROACTIVE TO THAT DATE OR WHETHER PRICE RISES INITIATED PRIOR TO CONCLUSION OF AGREEMENT.

3. ACCORDING TO RADULESCU, ROMANIAN-SOVIET BILATERAL FOR 1975 CONFERRED NO ADVANTAGE TO EITHER SIDE. PRICE  
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PAGE 02 BUCAR 02498 070941Z

ADJUSTMENTS HAVE BEEN MADE ON BILATERAL BASIS WITH VIEW

TO MAINTAINING TRADE BALANCE. RADULESCU NOTED THAT ROMANIA OF COURSE DOES NOT IMPORT PETROLEUM PRODUCTS FROM THE SOVIETS AND THEREFORE WAS LESS VULNERABLE. IN ADDITION ITS OWN RAW MATERIAL EXPORTS WERE SUFFICIENT TO PROVIDE AN OFFSET TO SOVIET PRICE INCREASES FOR PRODUCTS LIKE COKING COAL AND IRON ORE. IN CASE OF COMMODITIES BROADLY TRADED WITHIN CEMA PRICE LEVELS ESTABLISHED IN SOVIET-ROMANIAN AGREEMENT WERE "ABOUT THE SAME" AS THOSE IN OTHER BILATERALS. THIS HE CHARACTERIZED AS PRACTICE PREVAILING AMONG OTHER CEMA MEMBERS TOO.

4. ON THEORETICAL PLANE RADULESCU INDICATED HE WOULD NOT HAVE RECOMMENDED PRICE INCREASES AND FELT ADJUSTMENTS HAD BEEN MISTAKE BOTH IDEOLOGICALLY AND PRACTICALLY. EFFECT WILL BE TO INTRODUCE INTO EASTERN EUROPE ECONOMIC FLUCTUATIONS OF CAPITALIST WORLD WHEN SUPPOSEDLY ONE OF THE SOCIALIST SYSTEMS MAJOR ADVANTAGES WAS ITS STABILITY. HE SAID NO ADEQUATE ECONOMIC ANALYSIS HAD YET BEEN PRODUCED TO EVALUATE EFFECTS OF INCREASED COMMODITY PRICES EVEN ON CAPITALIST ECONOMIES AND THEREFORE IT WAS TOO SOON TO PUSH INTO A NEW SYSTEM WITHIN CEMA. IN ADDITION, PERIODIC RECALCULATING OF PRICES WILL JUST ADD A MAJOR HEADACHE TO THE ALREADY TIME-CONSUMING ANNUAL TRADE TALKS AMONG CEMA MEMBERS.

5. WE CONTINUE OUR QUEST FOR APPOINTMENT WITH STATE PLANNING COMMISSION WITH WHICH WE WOULD PLAN TO RAISE QUESTIONS POSED IN REFTEL AS WELL AS OTHER CEMA ISSUES. BARNES

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